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PARAMETERS OF THE PERSONAL INCOME TAX SYSTEM FOR **2013**

*Finances
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PARAMETERS OF THE PERSONAL INCOME TAX SYSTEM FOR 2013

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1. INDEXING OF THE PERSONAL INCOME TAX SYSTEM

The Taxation Act stipulates automatic indexing of the main parameters of the personal income tax system. Indexing applies to the taxable income bracket thresholds of the tax table and to the basic amount. It also applies to most parameters used to determine tax credits.

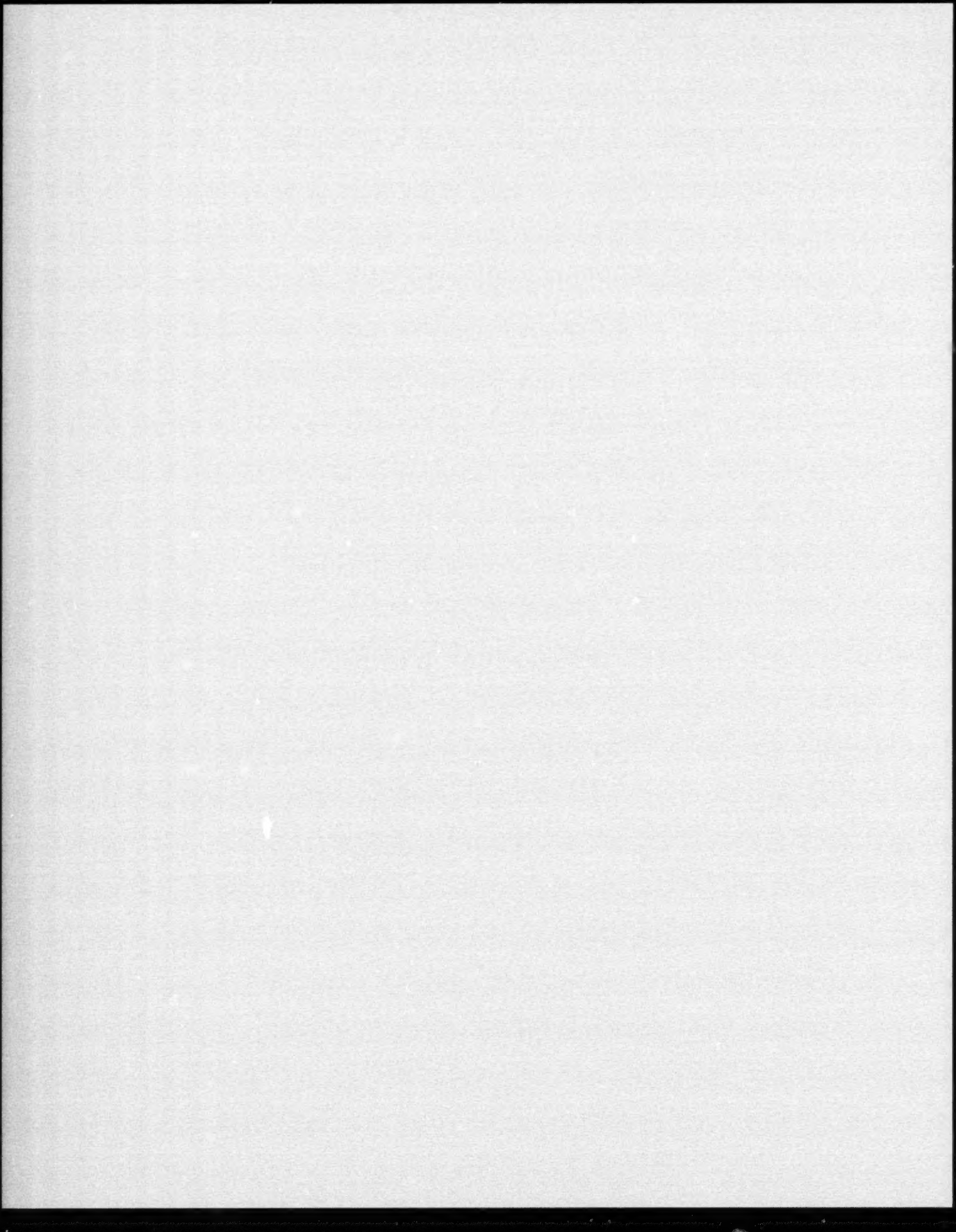
Indexing of the personal income tax system helps keep the tax system up to date to reflect the annual rise in the price of goods and services. In practical terms, indexing the tax system increases the amount of many deductions and tax credits by a rate determined on the basis of the rise in consumer prices in Québec.

☐ Indexing rate for taxation year 2013

The indexing rate for 2013 corresponds to the percentage change in the consumer price index for Québec (CPI-Québec), excluding alcohol and tobacco, between the twelve-month period ending September 30, 2012 and the twelve-month period ending September 30, 2011.

According to this formula, the personal income tax system will be indexed by 2.48% for taxation year 2013.

Indexing Formula
The indexing formula stipulated in the Taxation Act is applied by multiplying the parameter to be indexed by the change from A compared to B. The result obtained is rounded according to the applicable rule. - "A" represents the average of the CPI-Québec, excluding alcohol and tobacco, for the twelve months ending September 30 of the preceding year. - "B" represents the average of the CPI-Québec, excluding alcohol and tobacco, for the twelve months ending September 30 of the year immediately prior to the preceding year.

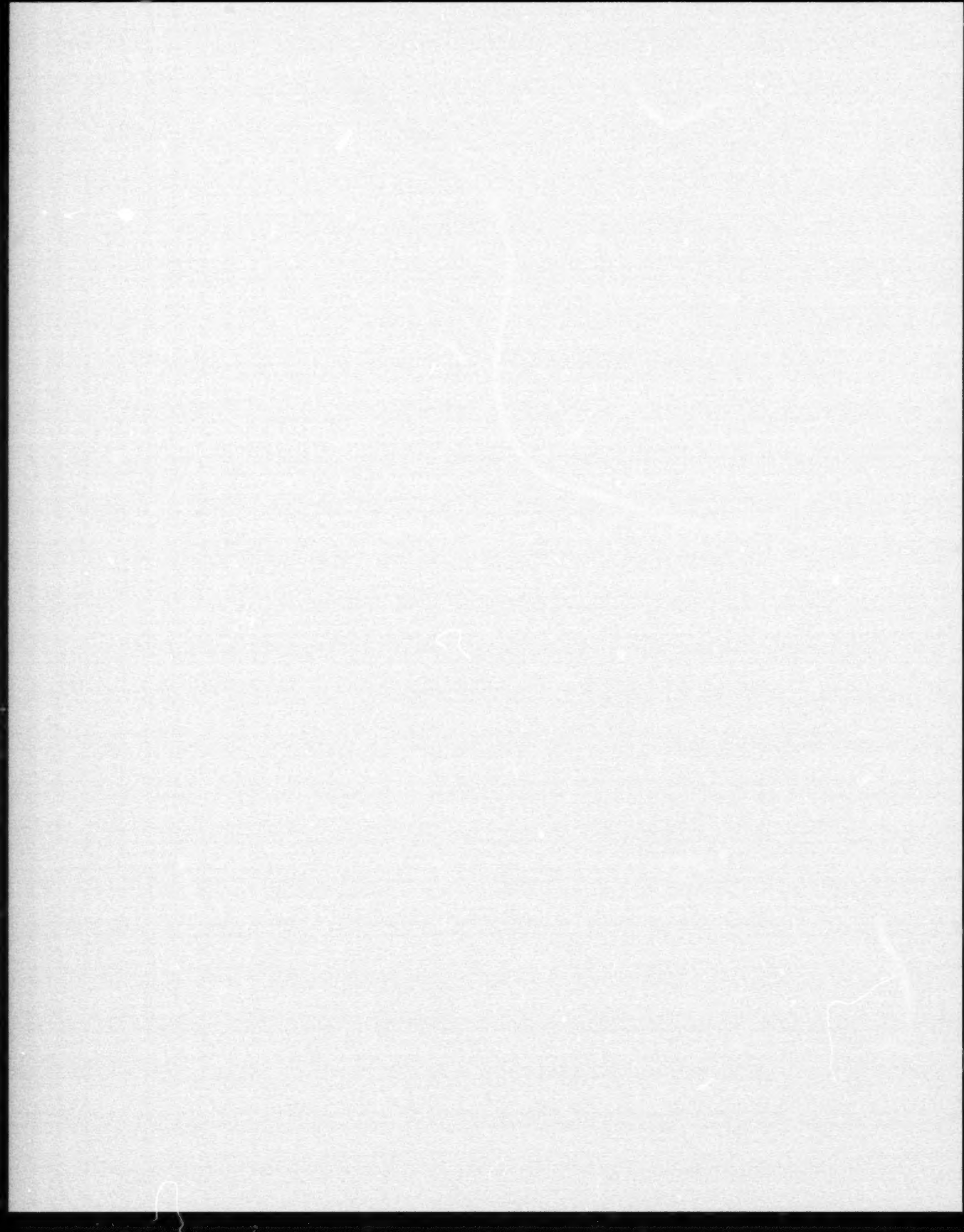


2. IMPACT OF INDEXING FOR THE GOVERNMENT

In 2013, the Québec government will index the tax system at a cost of \$574 million. Over the period from 2006 to 2013, the cumulative impact will equal in excess of \$2.9 billion.

Impact of indexing the personal income tax system – 2006 to 2013

	2006	2007	2008	2009	2010	2011	2012	2013
Indexing rate in percent	2.43	2.03	1.21	2.36	0.48	1.27	2.66	2.48
Impact in millions of dollars	390	340	315	437	97	239	514	574
Cumulative impact in millions of dollars	390	730	1 045	1 482	1 579	1 818	2 332	2 906



3. INCREASE IN THE WORK PREMIUM AND CHILD ASSISTANCE

The indexing of basic benefits of last-resort financial assistance programs requires that a different method be applied to increase the reduction thresholds of the work premium and child assistance in order to keep the tax system and income security programs in harmony.

☐ Work premium

The general work premium is integrated with the last-resort assistance system. It reaches its maximum at the income threshold at which a household fit for work is no longer eligible for last-resort assistance. Above that income level, the general work premium is reduced.

Moreover, the first dollars of earned income, up to \$2 400 for a household consisting of one adult and \$3 600 for a household consisting of two adults, are exempt from the calculation of the general work premium.

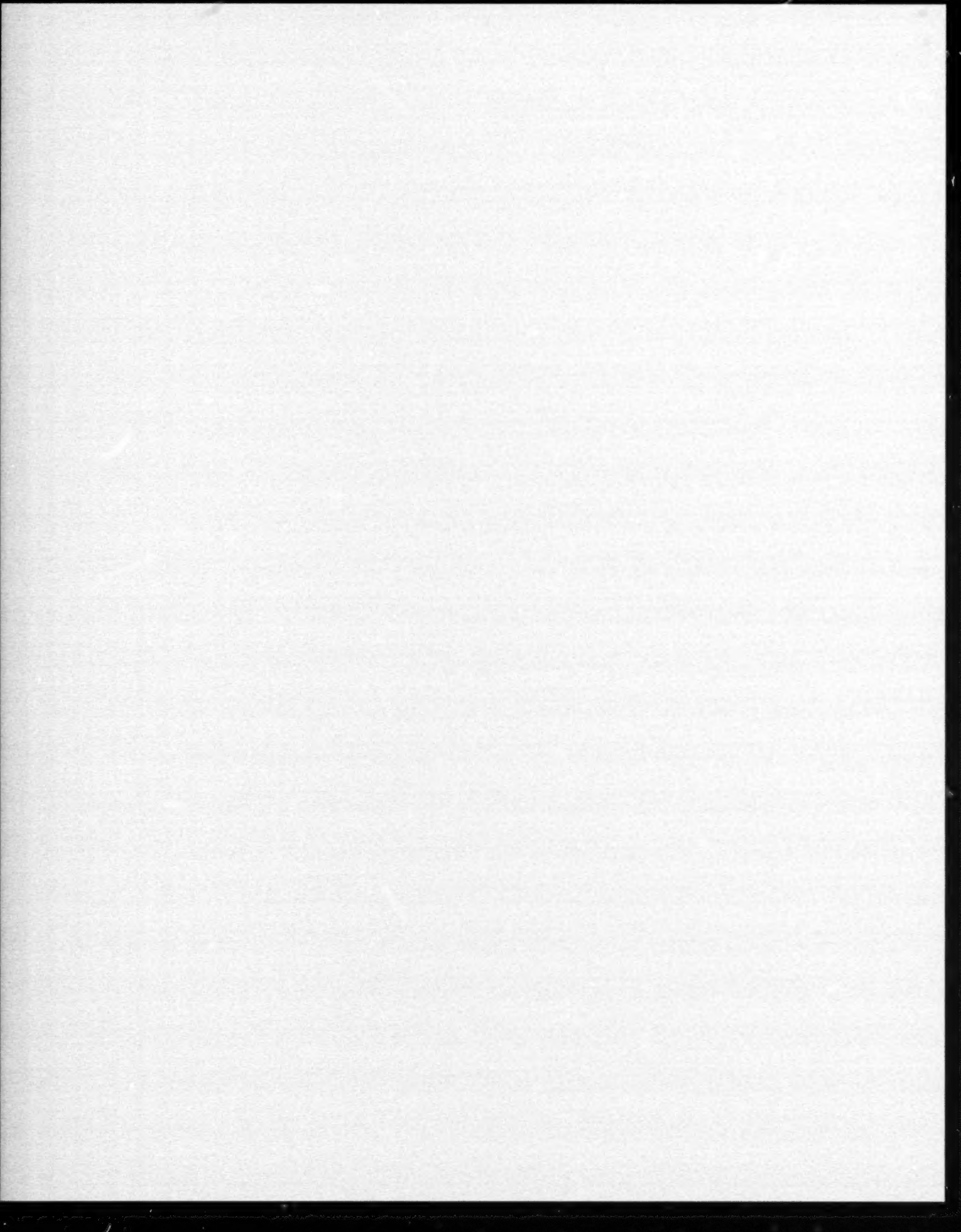
Like the general work premium, the adapted work premium for individuals with severely limited capacity for employment is integrated with the last-resort assistance system. However, the parameters for calculating the adapted work premium are different from those used to determine the general work premium.

☐ Child assistance

To integrate child assistance with the work premium, the income threshold at which the work premium becomes zero corresponds to the threshold at which child assistance begins to reduce with income.

The maximum amounts of child assistance are indexed at the indexing rate of the tax system.

Publication of parameters
Some child assistance and work premium parameters depend on the income threshold from which a household is no longer eligible for last-resort assistance.
Since this income threshold depends on certain parameters that cannot be ascertained before mid-November, the reduction points for child assistance and the work premium and the attendant parameters will be made public later.



4. COMPARISON OF INDEXING RATES OF THE QUÉBEC, FEDERAL AND PROVINCIAL TAX SYSTEMS

In 2013, the indexing rate of the Québec tax system (2.48%) will be higher than the indexing rates applied by the federal government and the other provinces.

Among the seven provinces that index their tax system, only one is expected to post an indexing rate higher than Québec, namely Newfoundland.

Indexing rates of the federal and provincial personal tax systems – 2006 to 2013
(percent)

	2006	2007	2008	2009	2010	2011	2012	2013 ¹
Federal ²	2.2	2.2	1.9	2.5	0.6	1.4	2.8	2.0
Provinces								
Newfoundland ^{3,4}	—	1.0	1.1	2.8	0.7	2.0	3.1	2.6
Prince Edward Island ⁵	—	—	—	—	—	—	—	—
Nova Scotia ⁶	—	—	—	—	—	—	—	—
New Brunswick ^{2,7}	2.2	2.2	1.9	2.5	2.0	2.0	2.8	2.0
Québec⁷	2.43	2.03	1.21	2.36	0.48	1.27	2.66	2.48
Ontario ⁴	2.2	2.1	1.5	2.3	0.7	1.8	3.3	1.8
Manitoba	—	—	—	—	—	—	—	—
Saskatchewan ²	2.2	2.2	1.9	2.5	0.6	1.4	2.8	2.0
Alberta ⁴	1.9	3.6	4.7	3.8	0.3	0.9	1.8	1.8
British Columbia ⁴	2.1	1.9	1.8	2.0	0.4	0.8	2.4	1.5

— Means the tax system was not indexed.

1 The federal and provincial, other than Québec, indexing rates are projected by the ministère des Finances et de l'Économie du Québec according to the method usually used.

2 The indexing rate is calculated according to the consumer price index for Canada.

3 The indexing rate used for 2007 was 2.0%. However, the indexing rate was applied only as of July 1, 2007. Accordingly, the effective rate for 2007 was 1.0%.

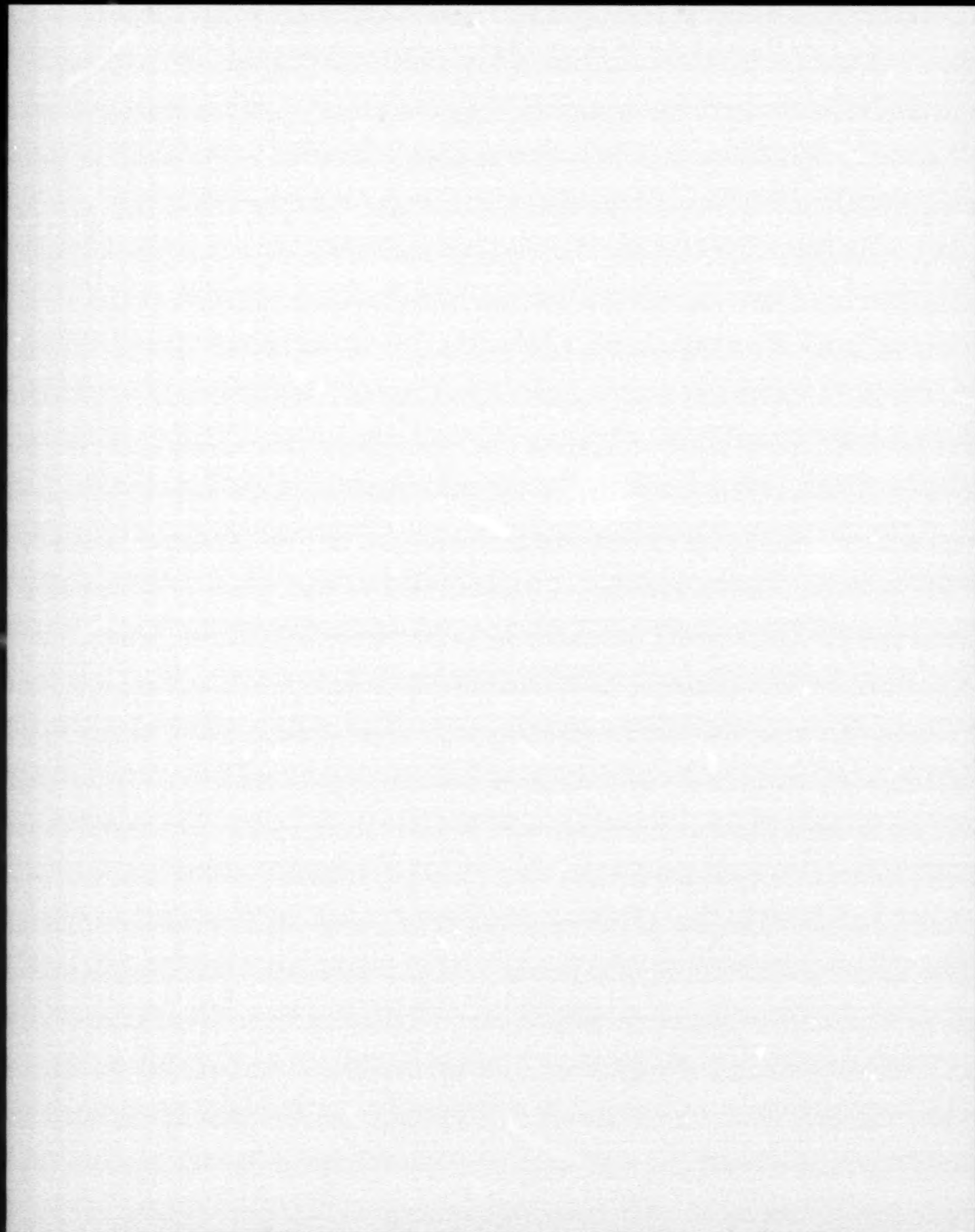
4 The indexing rate is calculated according to the consumer price index for the province.

5 Note that Prince Edward Island announced, in its 2007 budget, a rise of 2.0% for some parameters of its tax system for 2007 and 2008, including the basic amount and the taxable income bracket thresholds of the tax table.

6 Note that Nova Scotia stipulated a rise of \$250 per year in its basic amount from 2006 to 2010. In addition, some refundable tax credits have been indexed in the same proportion as the rise in the basic amount. For example, the increase in the base amount was 3.23% in 2009 and 3.13% in 2010.

7 The 2.0% rate for 2010 and 2011 was announced in December 2009.

8 Since taxation year 2005, Québec's indexing rate has been based on the CPI-Québec, excluding alcohol and tobacco.



5. TABLES OF PARAMETERS

Parameters of the personal income tax system subject to indexing (dollars)

	2012	2013
Tax table		
- Maximum threshold of first taxable income bracket	40 100	41 095
- Maximum threshold of second taxable income bracket	80 200	82 190
Single basic amount	10 925	11 195
Amount of recognized essential needs		
- Amount for a person living alone		
- basic amount	1 280	1 310
- supplement for single-parent family	1 585	1 625
- Amount with respect to age	2 350	2 410
- Amount for retirement income	2 090	2 140
- Amount of transfer of the recognized parental contribution		
- maximum amount of recognized needs	7 200	7 380
- reduction where only one session of studies is completed	2 015	2 065
- Amount for a minor child engaged in vocational training or post-secondary studies (per session, maximum of two sessions)	2 015	2 065
- Amount respecting other dependants	2 930	3 005
- Amount for severe and prolonged impairment in mental or physical functions	2 485	2 545
Certain deductions and exemptions		
- Maximum amount of the deduction for workers	1 075	1 100
- Amount of the personal contribution for the purposes of the deduction for tradespersons' tools	1 085	1 110
- Maximum amount of the exemption relating to amounts paid to emergency services volunteers	1 075	1 100
- Maximum monthly amount for the exemption of certain allowances for room and board paid to young athletes	325	335
Reduction thresholds		
- Reduction threshold of the tax credits for a person living alone, for age and for retirement income	31 695	32 480
- Reduction threshold of the refundable tax credit for home maintenance of an elderly person	53 465	54 790
- Reduction threshold of the refundable tax credit for respite expenses of informal caregivers	53 465	54 790

**Parameters of the personal income tax system
subject to indexing (continued)**
(dollars)

	2012	2013
Certain refundable tax credits		
- Tax credit for medical expenses		
- maximum amount	1 103	1 130
- minimum amount of earned income	2 825	2 895
- reduction threshold	21 340	21 870
- Tax credit for natural caregivers of adults		
- basic amount	607	622
- supplement reducing with income	497	509
- reduction threshold	22 075	22 620
- Québec education savings incentive		
- first income threshold for purposes of calculating the increase	40 100	41 095
- second income threshold for purposes of calculating the increase	80 200	82 190
- Tax credit for holders of a taxi driver's or taxi owner's permit	535	548
Solidarity tax credit		
- Amounts for the QST		
- basic amount	265	272
- amount for spouse	265	272
- additional amount for person living alone	128	131
- Amount for housing		
- amount for a couple	625	641
- amount for a person living alone	515	528
- amount for each dependent child	110	113
- Amounts for individuals living in a northern village		
- amount per adult	790	810
- amount for each dependent child	339	347
- Solidarity tax credit reduction threshold	31 695	32 480
1% contribution by individuals to the Health Services Fund		
- Maximum threshold of first taxable income bracket	13 660	14 000
- Maximum threshold of second taxable income bracket	47 490	48 670

**Parameters of the personal income tax system
subject to indexing (continued)**

(dollars)

	2012	2013
Child assistance		
- Maximum amounts		
- 1 st child	2 263	2 319
- 2 nd and 3 rd children	1 131	1 159
- 4 th and subsequent children	1 696	1 738
- single-parent family	793	813
- Minimum amounts		
- 1 st child	635	651
- 2 nd and subsequent children	586	601
- single-parent family	317	325
- Monthly amount of the supplement for a handicapped child	179	183

Parameters of the refundable tax credit for child care expenses – 2012

Family income (\$)			Family income (\$)			Family income (\$)		
Greater than	Without exceeding	Tax credit rate (%)	Greater than	Without exceeding	Tax credit rate (%)	Greater than	Without exceeding	Tax credit rate (%)
—	32 925	75	45 115	46 335	64	135 670	136 895	44
32 925	34 140	74	46 335	47 555	63	136 895	138 125	42
34 140	35 365	73	47 555	48 770	62	138 125	139 350	40
35 365	36 580	72	48 770	49 995	61	139 350	140 575	38
36 580	37 800	71	49 995	90 225	60	140 575	141 805	36
37 800	39 010	70	90 225	129 530	57	141 805	143 030	34
39 010	40 245	69	129 530	130 760	54	143 030	144 265	32
40 245	41 460	68	130 760	131 985	52	144 265	145 490	30
41 460	42 670	67	131 985	133 210	50	145 490	146 715	28
42 670	43 885	66	133 210	134 445	48	146 715	ou plus	26
43 885	45 115	65	134 445	135 670	46			

Parameters of the refundable tax credit for child care expenses – 2013

Family income (\$)			Family income (\$)			Family income (\$)		
Greater than	Without exceeding	Tax credit rate (%)	Greater than	Without exceeding	Tax credit rate (%)	Greater than	Without exceeding	Tax credit rate (%)
—	33 740	75	46 235	47 485	64	139 035	140 290	44
33 740	34 985	74	47 485	48 735	63	140 290	141 550	42
34 985	36 240	73	48 735	49 980	62	141 550	142 805	40
36 240	37 485	72	49 980	51 235	61	142 805	144 060	38
37 485	38 735	71	51 235	92 465	60	144 060	145 320	36
38 735	39 975	70	92 465	132 740	57	145 320	146 575	34
39 975	41 245	69	132 740	134 005	54	146 575	147 845	32
41 245	42 490	68	134 005	135 260	52	147 845	149 100	30
42 490	43 730	67	135 260	136 515	50	149 100	150 355	28
43 730	44 975	66	136 515	137 780	48	150 355	ou plus	26
44 975	46 235	65	137 780	139 035	46			